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Colombia

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COLOMBIA

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TABLE OF CONTENTS

LIST OF TABLES

GEOGRAPHY

Colombia covers 1.1 million km^2, and is bordered by Venezuela at the northeast, Brazil at the southeast, Peru and Ecuador at the southwest, and the Pacific Ocean, Panama and the Caribbean Sea at the northwest. Land boundaries total 7,408 km and Pacific and Caribbean coastlines total 3,208 km. Colombia is divided into 32 departments and one capital district which contains the capital city of Bogota.

The country comprises flat coastal lowlands, central highlands, high Andes mountains, and eastern tropical Amazonian lowland. Half of the country lies east of the Andes, and is virtually unexplored and sparsely populated jungle. The coastal plains and jungle areas have a tropical climate, with frequent rains. Temperatures range from 24°C to 28°C. Temperatures in the highlands and high Andean region average around 14°C. Bogota is located in the central highlands region.

Environmental issues include deforestation, soil erosion from pesticides, and urban air pollution.

DEMOGRAPHICS

The population of Colombia is 35.5 million people, yielding a density of about 31.3 inhabitants per km^2. The population growth rate is about 1.9 percent per year. Eighty percent of the population resides in the Andean (central highlands) region, which covers about one-quarter of the country's area. 32.9 percent of the population is 14 years old or younger, 60.5 percent is between 15 and 64 years of age, and 6.6 percent is older than 64. The population is forecast to reach 37.8 million people by the year 2000.

Approximately 70 percent of the population live in urban areas. Fifty-five percent live in cities with populations exceeding 20,000 people and 46 percent live in cities that have populations of greater than 100,000 people. The capital city, Bogota, has a population of 6.2 million people. Other major cities include Medellin with a population of 2.25 million people and Cali with a population of 1.68 million people.

Colombia's poor population is defined as those households earning less than four times the legal minimum monthly salary (MMS), and numbers in the order of 17 million people, approximately 47 percent of the total population. The MMS was, as of mid-1994, approximately $200 per month.

The opening of Columbia's economy has set the tone for foreign and Canadian investment. While imports have continued to rise sharply, they are not considered to be worrisome because they represent, to a large extent, the importation of plant equipment, up-grading of the manufacturing sector, and the development of infrastructures in the energy and telecommunications sectors—two areas in which Canadian investors and equipment suppliers are playing a major role.

While investment in the telecom sector will contribute to the efficiency of the country, the energy sector and especially petroleum will, by 1998, begin to generate foreign capital. This income from petroleum will offset the developmental costs of the current years. Oil revenue of up to one-half million barrels per day for export, will be drawn mainly from the Cusiana field, considered to be the largest discovery in the Western Hemisphere since Prudhoe Bay. This important economic artery will be built, and operated, in part, with the participation of two Canadian firms—Trans-Canada and Interprovincial Pipelines. Similarly, some of the major players in Colombia's telecom revolution are also Canadian companies—Bell Canada and Nortel.

Colombia continues to aggressively expand its trade relations and is reaping the free trade benefits of agreements with neighbouring Latin American countries—a major factor in Colombia's impressive growth in exports. Considered to be the likely leading candidate to join NAFTA, after Chile, Colombia is an ardent supporter of hemispheric free trade.

In recent years Colombia's economic growth has been 4.4 % (1991-96). This economic growth should continue and will extend the country's history of almost 30 years of steady economic growth and stability. This kind of economic pattern is unmatched in Latin America. Colombia's rate of inflation, although high, has remained predictable.

While the current account deficit may be greater in the 1996-97 period when compared to 1995, it is the result of massive increases of importation of products related to resource development. These imports will eventually contribute to the reversal of the deficit trend. As an example, huge amounts are being spent in the petroleum sector, both in the development of fields and for pipeline building, which in a few years will see the country exporting .5 million barrels per day. Consequently, this forecast year could see the current account deficit reaching a plateau. There is evidence that the resultant foreign-financed debt is totally manageable and easily financed, because recent international bond issues have been successful in making Colombia one of two Latin American countries (the other is Chile) to receive an investment grade rating from Standard and Poors Corporation. This reputation is acknowledged in Canada, and further substantiated by the Export Development Corporation.

In Colombia the business climate continues to be very favourable and strong growth in internal consumption will compensate somewhat for the weakening in the country's Latin American partner markets, mainly Venezuela and Mexico. The opening of the economy or apertura as it is called, coupled with reduction of import duties resulted in considerable investment and import activity, including the acquisition of equipment and technology needed to modernize local industry. Colombian industry is concentrated in Bogota, Cali, Medellin and Barranquilla, which together account for 60 percent of production and 70 percent of employment.

While contributing to a manageable trade deficit, the opening of the economy has also resulted in Colombian industries becoming more competitive and successful in export markets. Canada's participation in this vigorous business climate has been significant and where Colombian imports grew strongly in the last reporting year, Canada held more than its market share with an increase of a full percentage point that translated to more than $200 million.

Sectors of the economy registering the most activity were construction, finance, automotive manufacture, electric power expansion, oil and gas

development, and services of all kinds. In the 1970s and 80s, Colombia enjoyed favourable economic growth, compared to other Latin American countries, largely because of its approach to housing financing. In 1988, in keeping with World Bank recommendations, the government adopted a policy of gradual trade liberalization and privatization. Further reforms were undertaken in 1991, and the economy responded with growth at the annual rate of 4.4 percent from 1991 to 1996.

In 1994, the government committed to providing increased assistance to the poor (approximately 40 percent of the population) while maintaining reforms. Coffee exports and the development of the large Cusiana oilfield will help sustain economic growth over the next few years, but there are some internal problems that will compromise growth:

- appreciation of the Peso has made domestic agricultural products expensive and vulnerable to international competition;
- growth in foreign investment and domestic production has been hampered by poor infrastructure; and
- efforts to reduce poverty and modernize infrastructure have been hampered by drug-related violence and rural insurgency.

Overall, these factors tend to threaten the stability of the country and the confidence of foreign investors as well as push widespread prosperity into the distant future.

Table 1 provides comparative economic information for Colombia.

Table 1:
Colombia: 1996 Economic Indicators

	Value	Units
Real GDP per capita	$1,748	US Dollars
Construction GDP per capita	$165	Canadian Dollars
GDP Growth Rate	4.4%	1991-96
GNDI Growth Rate	3.8%	Per Year
Inflation	20.8%	Per Year
Unemployment	9.7%	of the work force
Balance on Current Account	–$4,790 million	US Dollars
External Debt	$24.3 billion	US Dollars

Sources: ECLAC, Statistical Yearbook for Latin America and the Caribbean, 1997.

POLITICAL OVERVIEW

The vigorous privatization program begun by the Columbian government in the early 1990s resulted in the sale, to private interests, of seaports, airports, roads, power plants, telecommunications concessions, and banks. The Colombian government also became engaged in plans to change the influence of drug cartels amongst the poor. As an example, in 1994 the administration recognized the fact that since 40 percent of the population lived below the poverty line, it provided fertile ground for the political arguments of various guerilla groups, most of which were engaged in support of the drug cartels. In an attempt to solve the problem with the guerrilla groups and the drug cartels, the Colombian government became the primary provider of basic public goods. This included expansion of electrical, water, transport and communication services and improvement of health, education and environmental needs. By such policies, the Colombian government attempted to dilute the influence of the cartels.

Conscious of its need to improve its image, Colombia has worked to promote regional integration and security through active participation in regional and international organizations. Colombia has succeeded, in some areas, in its attempts to reform judicial and other institutions in order to stem the illicit drug trade and the attendant corruption within Colombian society.

Colombia's long history of democratic governments, along with its steadily expanding economy, has made it one of Latin America's most attractive and stable markets for Canadian companies.

Colombian trade policy continues to be progressive and Colombia has been a front runner in the establishment of various bilateral and multilateral trade agreements. These agreements are in addition to the overall grand scheme unveiled in Miami in December 1994 to create a Western Hemispheric free trade zone and Colombia is thought to be next in line to NAFTA accession after Chile.

Colombia has witnessed an incredible period of Canadian investment activity, mainly in the communications and energy sectors and has many plans waiting in the wings. The continuation will depend on the successful resolution of a few problem areas relating to onerous taxation of foreigners and investment protection, but the Colombian government recognizes the first problem, and negotiations between Canada and Colombia on an investment protection agreement are ongoing. Canadian firms with foreign investment ambitions would be wise to consider Colombia for a number of significant reasons, such as:

- the preferable access Colombia enjoys to neighbouring country markets through a number of existing free trade agreements, such as the Andean Pact that includes Peru, Bolivia, Ecuador and Venezuela and other agreements which include Chile and Mexico;
- the vigour of Colombia's own market of some 35 million people; and
- the fact that Colombia is the only country in South America with port facilities on both oceans.

HOUSING CONDITIONS

In 1991, there were approximately 5.8 million households in Colombia. This increased to 7.9 million in 1995, and is further projected to reach 9 million households by the year 2000.

As in most other Latin American countries, the predominant housing construction form is cement or masonry. Shortage of adequate housing is particularly evident in Colombia. Bogota is among the three cities with the world's worst housing problems—50 percent of the population are homeless or live in substandard housing. Of 300 hectares of urban sector settlement in Bogota, 200 hectares are illegally settled and without services.

The following table provides an indication of the general state of housing in Colombia as of 1985. Though the information is outdated, it provides good insight with respect to scale. (Using present growth rates, the population of Colombia in 1985 would have been in the range of 28 to 29 million people.)

Table 2:
Colombia: 1985 Housing Characteristics

Based on Total Stock of 5,266,581 units*		
By Type of Occupancy:	Owner	3,552,686
	Tenant	1,240,286
	Other	462,480
By Number of Rooms:	1	779,728
	2	1,254,496
	3	1,131,858
	4	916,506
	5	567,324
	6+	601,361
	Unknown	
By Number of Occupants:	1	302,136
	2	480,721
	3	696,332
	4	879,073
	5	833,775
	6	662,095
	7	479,479
	8	330,854
	9+	586,808
	Unknown	
By Available Services:	Domestic Water	3,699,837
	Flush Toilets	3,653,184
	Sewage Disposal	3,121,859
	Bathroom	unknown
	Power	4,048,150

*Individual categories do not necessarily add up to quoted total.
Sources: ECLAC, Human Settlements: The Shelter of Development, October 1995; Statistical Yearbook for Latin America and the Caribbean, 1995

Overview

The sectors of prominent importance in the recovery of the Colombian economy during the last few years have been the building materials, office and housing construction industries. The quantitative and qualitative Colombian housing deficit is estimated at 2.5 million units.

Major Participants in the Housing Industry

The Colombian government has been working on a program to build and rehabilitate 539,000 housing units. This program is carried out by INURBE (National Institute for Low Income Housing and Urban Reform), but funding is not enough to cover a large and demanding population. Housing construction is primarily carried out by the private sector which develops its own programs along with other programs financed by the Government under the National System of Social Interest Housing.

Housing as a National Priority

The current administration, on coming into power in 1994, pledged creation of 1.5 million jobs through industrial and infrastructure modernization and a social reform package which encompassed housing subsidies for half a million people.

When the nation's housing policy was revamped later that year, it included housing forecasts to 1998. The policy set a goal for the provision of approximately 606,200 housing solutions by the end of 1998. If achieved, the intended benefits could reach about 1.1 million families, representing up to 12 million people. To address the target, a budget of $3.25 billion was established. Of that amount, approximately 82 percent was targeted to the poorest urban and rural segments, those with household incomes of less then 2 minimum monthly salaries (about $390). Forty percent ($1.3 billion) of the total budget is to be expended as non-repayable subsidies to qualifying families. The remaining $1.95 billion comprises repayable housing credits, available through savings institutions and banks, targeted mainly to households earning between 2 and 4 minimum monthly salaries.

Housing solutions can include:

- construction or acquisition of progressive (expandable) houses;
- construction or acquisition of basic houses (basic sanitary services plus minimal family space);
- acquisition or servicing of residential lots or land parcels;
- acquisition of building materials;
- renovation to existing houses; and
- provision of basic sanitary services to existing houses.

One housing solution can benefit more than one family, if for example, more than one family share an existing home, or where servicing of a land parcel benefits several families.

The nation's target is being addressed through numerous social programs and agencies organized under an umbrella agency known as the Network of Social Solidarity. The overall structure is quite intricate, yet flexible. It allows families to choose the programs from which they can derive greatest benefit. Families are not generally allowed to benefit from more than one subsidy; however, the subsidy may help them qualify for additional repayable credits. The programs and their budget allocations are summarized in Table 3.

The overall budget in relation to the number of housing solutions expected to be provided is summarized in Table 4.

Maximum amounts have been established for the various subsidies, and these amounts may vary with population, as illustrated in Table 5.

Additionally, maximum permissible prices have been established for the various allowable housing solutions, and examples of these are shown in Table 6.

Table 3:
Colombia: Social Housing Programs and Budget Allocation, 1995 to 1998

Programs	Budget, Millions of 1994 Pesos (1 million pesos = $1,300)				
	1995	1996	1997	1998	Total
I. SUBSIDY PROGRAMS					
1. NETWORK OF SOCIAL SOLIDARITY (Beneficiaries earn less than 2 MMS)					
A. Programs for Improvement of Housing and Servicing					
1. National Contributions					
INURBE (National Institute for Social Housing & Urban Reform)	36,533	51,146	53,703	56,388	197,770
FIU (Urban Infrastructure Fund)	18,266	25,573	26,852	28,194	98,885
FOSES (Family Housing Subsidy—a unit of INURBE)	2,283	3,197	3,356	3,524	12,360
FIS (Social Investment Fund)	2,283	3,197	3,356	3,524	12,360
2. Municipal Contributions					
Municipalities' Own Resources	22,833	31,966	33,565	35,243	123,607
FINDETER (Territorial Development Financing)—Matching Funds	22,833	31,966	33,565	35,243	123,607
B. Programs for New Housing					
1. National Contributions					
INURBE (1995 includes 1994 contribution of 25 million pesos)	42,073	18,112	22,096	26,957	109,238
CVM (Military Housing Fund)	24,112	21,027	21,490	26,127	92,756
2. Municipal Contributions					
Municipalities' Own Resources	6,829	7,245	8,838	10,783	33,695
3. Non-Governmental Organizations (responsible for state-allocated funds)					
CC (General Compensation Fund) and CCF (Family Compensation Fund)	8,125	8,206	8,288	8,371	32,990
2. NEW HOUSING (for families earning between 2 and 4 MMS)					
INURBE	10,503	12,786	13,426	14,097	50,812
CCF	18,958	19,148	19,339	19,533	76,978
CVM	11,686	10,760	12,912	15,494	50,852
TOTAL SUBSIDIES	227,317	244,329	260,786	283,478	1,015,910
II. CREDIT GRANTING AGENCIES (government-backed credits)					
CAV (Housing and savings institutions)	231,525	243,101	255,256	268,019	997,901
FNA (National Savings Fund)	103,000	107,120	111,405	115,861	437,386
Other (banks, etc.)	11,576	12,155	12,763	13,401	49,895
TOTAL CREDITS	346,101	362,376	379,424	397,281	1,485,182
GRAND TOTAL, SOCIAL HOUSING RESOURCES	573,418	606,705	640,210	680,759	2,501,092

Source: Colombia, National Planning Department, Network of Social Solidarity, August 1994

Table 4:
Colombia: Housing Solutions Intended to be Provided, 1994-98

	Number of Housing Solutions	No. of Benefitting Households	Budget, Millions of Pesos
I. Subsidies			
1. Families Earning Less Than 2 MMS			
Improvements to Housing and Housing Environment	258,450	775,350	568,590
New Housing	157,740	157,740	268,680
2. Families Earning 2 to 4 MMS	83,910	83,910	178,640
Total Subsidies	500,100	1,017,000	1,015,910
II. Credits			
1. FNA (National Savings Fund)			
Families Earning Less Than 2 MMS	21,030	21,030	218,693
Families Earning 2 to 4 MMS	21,030	21,030	218,693
2. All Other Credit Agencies	64,030	64,030	1,047,796
Total Credits	106,090	106,090	1,485,182
Grand Total, All Programs	606,190	1,123,090	2,501,092

Source: Colombia, National Planning Department, Network of Social Solidarity, August 1994

Table 5:
Colombia: Sample Maximum Subsidy Values

Program	Income Group	Types of Solutions	Population Limits	Maximum Subsidy, $
INURBE	Up to 2 MMS	Improvement	none	1,300
		Construction on own site	none	1,550
		Progressive, basic units	<100,000	1,550
			100,000-500,000	1,850
			>500,000	2,150
Family Compensation Fund	Up to 2 MMS	Improvement, construction on own site	none	1,550
	2 to 4 MMS	Improvement, construction on own site	none	1,300
		Purchase, progressive, basic	<100,000	1,300
			100,000-500,000	1,550
			>500,000	1,850

Source: Colombia, Urban Social Housing Policy, September 1994

Table 6:
Colombia: Sample Maximum Allowable Housing Solution Prices

Income Group	Types of Solutions	Population Limits	Maximum Allowable Price, $
Up to 2 MMS	Houses, c/w lots	<100,000	9,750
		100,000-500,000	11,700
		>500,000	17,550
2 to 4 MMS	Houses, c/w lots	<100,000	19,500
		100,000-500,000	23,400
		>500,000	26,325

Source: Colombia, Urban Social Housing Policy, September 1994

Materials

After a decrease in the demand for building materials in 1995, CAMACOL (the Colombian Chamber of Construction) surveyed the main producers of 19 construction materials from various stages of the construction process, in an attempt to identify a trend. The products included cement, concrete, fibre cement, iron and steel, aluminum, fiberglass, concrete pipe, clay pipe, PVC pipe, masonry, veneers, ceramic tiles, wood and metal carpentry items, plastic roofing materials, kitchen fixtures, paints, and valves.

The survey revealed a reduction in demand of up to 30 percent for materials typically used at the initial stages of construction projects (prefabricated items, clay pipe, masonry, PVC pipe, cement and fibre cement, concrete pipe). Reductions were attributed to market saturation and increases in the cost of housing. Reduced demand for initial works materials was interpreted as an indication that government policies respecting the construction industry did not impact the industry as they were intended, consequently, construction starts were down.

Materials generally incorporated at the finishing stages of construction (plastic roofing, kitchen fixtures, finished metalworks, veneers and flooring, glass, finished woodworks, valves) experienced a general decrease in demand. Contraband trade in these materials was considered a factor. Reduced demand was interpreted as an indication of completion of projects with no continuation of activities.

Material costs that showed the highest rate of increase included lumber, prefabricated items, concrete, roofing, and flooring.

Financing

The principal sources of financing for social housing are the CAVs—housing savings corporations. Total loans granted by CAVs declined by about 1 percent in 1995, while residential loans approved by UPAC reached 1.6 billion pesos ($2.1 million), an increase of 6.5 percent in 1995.

CAVs traditionally provide up to 30 percent of the capital required for housing projects. Loans given out in a 6-month period in 1994 totalled $1.2 billion pesos up 48 percent over the same period in 1993. Sixty-three percent of these loans went to contractors, 35 percent to individuals, and 2 percent to industrial companies.

Mortgage rates tend to be high, even for social housing. A high rate of default is generally the reason for these high mortgage rates. To help reduce mortgage rates, incentives to private sector financiers are required. State-guaranteed funds and leasing schemes, whereby the purchaser does not become the owner until the mortgage has been discharged, are being investigated as possible incentives to restore the confidence of private sector financiers and influence the reduction of high mortgage rates.

Local Technologies

Masonry is the most common form of formal sector construction. A typical market residence features masonry walls, clay tile roof and stone tile or concrete floors. Variations occur of course, and in the case of Colombia, perhaps the most marked variation is the absence of regional standard materials in a large percentage of the housing stock. Almost half of the population is low-income, and the majority of that segment cannot afford even the simplest home. Self-built shells of non-reinforced masonry, roofs of tin and earthen floors are common.

Typical price categories for housing in Colombia are:

Upper class. Income of $65,000 and greater, with unit prices up to $1,750/m^2.

Middle class. Income of $35,000 to $65,000, with unit prices up to $870/m^2. The average pricing for a single family home of medium quality construction is about $610/m^2.

Lower middle class. Income of $19,500 to $35,000.

Lower class. Income of less than $19,000.

A typical cost budget for a small house includes 25 percent for the serviced lot, 45 percent for construction, and 30 percent for financing and overheads. The construction portion of the cost typically breaks down as shown in Table 7.

A major challenge to the Colombian housing industry is the development of housing that can be economically built and sold within the confines of the ability of the poor to pay. Low-income families are defined as those earning less than four minimum monthly salaries. The minimum monthly salary, as of 1994, was $200 per month. About 47 percent of the population falls into this category, and the large majority of that group actually earns less than two minimum salaries.

Table 7: Typical Breakdown of Construction Costs

Mobilization	0.5%	Electrical	3.5%
Foundations	9.0%	Carpentry	7.0%
Structure	10.5%	Painting	5.0%
Masonry	15.5%	Glass & Hardware	1.8%
Roofing	3.0%	Furnishings, equipment	3.5%
Waterproofing	0.2%	General Cleanup	0.5%
Exterior work, finishing	5.0%	General Expenses	5.0%
Floors	7.5%	Administration	16.0%
Plumbing	5.0%	Contingency	1.5%

Social housing units are not allowed any extravagances, to discourage higher-income families from becoming attracted to the various programs and potentially displacing targeted beneficiaries. A typical maximum allowable price for a basic housing unit is $17,550 including the serviced lot. Typical descriptions of allowable housing solutions are:

Improvement: This includes upgrading work, like replacing an earthen floor with a cement floor, installing basic sanitary services within the dwelling and connecting them to basic utilities, and replacing poor quality materials and structural elements.

Progressive Development Units: This is staged construction. In the first stage, the lot is acquired and connected to public utilities. In the second stage, a "basic unit" is built. This is a small house, comprising an area for sanitary services (lavatory, bath, sink) and a small multi-purpose area.

Minimum Housing Units: This goes one step beyond the basic unit. The minimum housing unit can feature at least one bedroom in addition to sanitary and multi-purpose areas. It can be a newly-built structure or a previously owned dwelling purchased from the open real estate market.

In 1993 in Medellin, a Colombian contractor built a project called Altos de la Villa, typical of the

efforts to address the needs of low-income families. Located, at the periphery of Medellin, the development is located on rolling terrain typical to the region. The total development comprises about two hectares, almost half of which was set aside for common and recreation areas. Housing density is 120 homes per hectare, or 220 houses. Each lot is six metres by seven metres in size. Walls are masonry construction and roofs are clay tile. Interior floor areas (prefabricated stone slabs) are terraced. Three different layouts on two to three levels are offered:

Type A: 42 m^2 on two levels, featuring a living room, dining room, kitchen, two bedrooms and bathroom, with a small yard/patio. The cost of this model was 8.3 million pesos (about $12,400).

Type B: 58 m^2 on two and one-half levels, featuring two additional bedrooms at a cost of 8.7 million pesos (about $13,000).

Type C: 64 m^2 on three levels, featuring a fifth bedroom, at a cost of 8.9 million pesos (about $13,300).

Altos de la Villa provided affordable housing to the lower-middle class, those earning between two and four minimum salaries. However, the needs of the lower class—those earning less than two minimum salaries—still remained. To serve the low-income population, the cost of this house (including the lot) would have to be in the order of from 5 million pesos to 5.5 million pesos (about $7,500 to $8,200).

Another project, the Calimio project, was undertaken in an attempt to address those requirements. The project was based on a system of supervised self-help. To achieve the objective, cooperation from various bodies was required. The builder and a consultant provided supervision and training in basic construction. A housing savings corporation (CAV) agreed to provide financing (financing low-income housing is usually a high risk activity for CAVs). Suppliers acted as material banks by agreeing to provide construction materials directly to the participating families at wholesale prices.

The project was sited on a parcel of land subdivided by the builder into 1,275 residential lots. The six metre by ten metre lots were fully serviced. After receiving a lot and lessons in basic construction, a family could purchase (through credits arranged by the CAV) its building materials and start work. Through arrangements with suppliers, there were no freight or delivery charges attached to the materials. The houses were initially basic units of 25 m^2 including a bedroom, bath and kitchen. Once the basic unit was completed, the family was able to move in and continue construction (as finances permitted) to 92 m^2 on two levels. Additional space could eventually include two bedrooms, a study, living room, and a second bathroom.

Project costs included only the basic unit. Families could continue with progressive development at their own pace, governed by family economics. The finished cost of each basic home was 4.15 million pesos (about $6,200), including 2.85 million pesos ($4,300) for the lot and 1.3 million pesos ($1,900) for the basic dwelling. Financing was structured to include a 1 million peso ($1,500) subsidy, 2.95 million pesos ($4,400) mortgaged over 15 years, and 200,000 pesos ($300) as down payment from family resources. By qualifying for both a subsidy and mortgage credits, the families typically had to pay only 40,000 pesos ($60) per month, as opposed to approximately 100,000 pesos ($150) through traditional social housing programs.

Local Housing Activities

The construction sector is in its ninth recession and expansion cycle since 1950. Cycles have generally averaged five and one-half years in duration. Cycles generally begin at a high point, thus the first period of the cycle features recessionary characteristics. The current cycle began in 1992, after construction activity peaked in 1991. Yearly reductions have been gradual. In the first half of 1994, construction fell by about 0.6 percent from 1993. Factors that forecast continued decline after 1994 included uncertainty of the peso in foreign exchange markets, market saturation in high-end housing, and unavailability of land for social housing.

In 1995, construction in Colombia suffered a further overall decline of 8.3 percent. In Bogota, the decrease in total activity was 7.4 percent for the year. Total residential units built fell from 32,600 in 1994 to 28,600 in 1995, for a decline of 12 percent. According to statistics collected from

construction activity in Bogota, Cali, Medellin, Armenia and Cartagena in 1995, total area approved for construction fell by 12 percent in 1995. The decline was concentrated in the second half of the year, with December constituting the greatest monthly decline. Residential construction declined by 15 percent in 1995. Construction of multi-family units was more common than single-family dwellings in Bucaramanga, Cali and Cartagena. Construction of single-family dwellings was favoured over multi-family units in Bogota and Medellin.

The primary reason for this decline was high interest rates, pegged at 40 percent or more. Excess high-end residential inventory caused average residential prices to remain unchanged, or to decrease in some cases. Twenty percent of 1995 construction permits issued were put on hold because of the poor economic conditions. CAMACOL has proposed several measures to government aimed at reducing financing costs and re-stimulating construction activity. It has been recognized that any proposals put into action will not produce immediate results.

CAMACOL carried out a survey in October of 1995 to determine trends in construction and sales during the third quarter of 1995. Two hundred and sixty-five contractors, representing about 6 percent of the total construction community participated. In total, the survey group was involved in 890 projects at various stages of completion. Eighty-five percent of these projects were residential.

Approximately 28 percent of the active projects were at the design or permit approval stage, down by 11 percent from the previous quarter. This was interpreted as hesitation to begin new projects until market conditions improve. Forty-eight percent reported decreases in sales from June to August as compared to March through May, and 61 percent indicated that no permit applications had been filed from June to August. From these statistics, continued decreases in construction occurred in the first half of 1996.

Despite reductions in sales and starts, only 21 percent of the survey group had found it necessary to take out loans to compensate for reduced cash flows.

The survey also revealed a trend of less reliance on the CAVs (housing savings institutions) for project financing. Reasons included the high interest rates demanded by CAVs and easier access to funds from other sources.

The housing market in larger centres (Bogota, Cali, Medellin) featured declining sales caused by increased interest rates (as much as 47 percent on a 15-year mortgage), changes in consumer attitudes (increased tendency toward liquidity and hesitancy to purchase new or pre-owned homes until present homes have been sold), uncertainty with respect to government policies, repeated price increases for the last three years, and excess upper-class inventories. The industry hopes that the upward swing of the current cycle will begin to occur in 1997.

Housing Need

The most recent year for which detailed information on the Colombian housing deficit is available is 1985. The statistics are shown in Table 8.

Table 8:
Colombia: 1985 Housing Statistics

Number of Households	5,824,857
Private Dwellings	5,251,273
Adequate	3,303,051
Reparable	1,423,095
Beyond Repair	525,127
Total Deficit	2,521,806
Quantitative	1,098,711
Qualitative	1,423,095
Annual Increase in Households (1990-95)	200,000

Source: ECLAC, Human Settlements: The Shelter of Development, October 1995

Estimates of the deficit for recent years vary widely with reporting sources. In 1992, it was estimated as 1.7 to 2.1 million units. In 1993, it was estimated as 2.1 million units, with a quantitative component of 1.2 million. The 1994 deficit was estimated as 1.1 million units, and was forecast to increase to 1.4 million by 1998 if no intervening action is taken in the interim. It is quite unlikely that the deficit has been reduced in the last several years, given the downturn in construction since 1991.

In 1985, the total deficit amounted to 43 percent of total households. The number of households at the end of 1995 was estimated as 7.8 million. The approximate total deficit using the stated reasoning, yields a figure of about 3.4 million. Extending the proportionate reasoning method breaks the 1995 approximation down to 1.5 million quantitative and 1.9 million qualitative.

The number of households is forecast to reach 10.2 million by the year 2005. Over ten years, this equates to an average growth of 231,000 households per year, and the large majority of those will be low-income households. The nation's housing policy (1994) called for the addition of 606,200 social housing solutions by the end of 1998, or roughly 151,600 per year. If all of those solutions are provided, and if all are new housing (as opposed to a mixture of new and rehabilitated housing), the deficit will probably continue to grow, at a rate of around 70,000 to 80,000 units per year. To keep the deficit in check, the private sector would then have to contribute that many units in market housing, geared toward middle- and upper-income groups. Given the current trends in construction, the required social/market housing production mixture is not likely to occur.

Factors Affecting the Demand for Housing

High interest rates of about 40 percent in 1995 made it impossible for lower-middle income and low-income Colombians to purchase their own homes. This situation has continued in 1996, and will probably continue for at least the short-term future.

There is great need at the low-income level, but there is a scarcity of available land. In cases where land is made available, it is often remote, with poor access. This has the effect of reducing demand, because in many cases, even those families that can afford to purchase subsidized housing prefer not to; the available locations are not suitable to job locations and transportation to work sites is not generally available.

The Calamio example cited took place in 1993. Since that time, wages and prices have increased. Where $6,500 was the maximum price a poor family could afford to pay for housing in 1993, the figure was closer to $10,000 in 1996. This is still a difficult target. The Calamio project was somewhat of an exception—it received the cooperation of the financiers and material suppliers, but it was regarded more as a demonstration than an accepted business practice. In reality, there is no supply of housing at this price in any of the major urban centres, where the majority of the low-income population resides. This situation promotes a tendency for families to stay in rental housing or to occupy invaded lands instead of aspiring to ownership. The long-term answer to the problem lies in the development of technology that will enable construction of very low-income homes at affordable prices.

Housing for the lower-middle class (two to four minimum salaries) is also not as affordable in the real world as it is deemed to be in the social housing programs world. Given existing mortgage rates and down payment requirements, the income of the family has to be closer to six minimum salaries to actually purchase the home.

A positive issue is that four major natural gas pipeline projects are planned for the country, to increase the number of user households from 600,000 to 2 million households by the year 2000. While a project of this nature may not impact the demand for housing, it could provide sales or technology opportunities for suppliers of residential service materials.

EXPORT OPPORTUNITIES AND STRATEGIES

The signals for Colombia are mixed. Market indicators in 1995 were more optimistic in previous years. Opportunities appear to exist for the following products and services: doors, wood panelling for high-end markets, housing for employees of major mining companies, windows, eavestroughing, exterior and interior doors, door hardware, kitchen sinks, moldings, shower enclosures, and light-weight concrete technologies. One interesting trend in Colombia is the growing do-it-yourself market.

Information about Canada's housing export prospects is not extensive but the following research results were identified and apply as recently as 1995.

A substantial middle class is emerging with a reasonable capacity to buy Canadian products. However, the risk of exporting to Colombia is medium-to-high and market opportunities will not arise until the longer term.

Specific housing market prospects are believed to exist for the following types of housing and housing products:

- low-cost housing in general;
- doors, wooden ceilings and wall panelling for high-end markets;
- housing for employees of major mining companies;
- finishing materials; and
- lightweight concrete technologies.

Market prospects for a number of Canadian products were assessed through an interview with a major Colombian builder. The opportunities are summarized below.

Colombia is in the midst of an economic downturn and there are no signs of recovery. Usually the downturn cycle lasts for approximately three years but some observers forecast this downturn to last about five years or more. The people who have been hurt most are the low wage earners. As a result, construction of lower-cost housing has decreased. However, construction of medium- and higher-cost housing has continued at previous levels. The drug problem in Cali and other areas of Columbia also impacts activity in the housing construction sector.

About four or five years ago, prefabricated products such as the Wood I-beam were first used in the housing industry and their use is on the increase. However, locally-made products are very inexpensive compared to Canadian products, therefore the estimated prices are not competitive.

Roof trusses are widely used. They are made locally or imported from the U.S. at prices lower than the estimated Canadian price.

There is limited demand for stairs in some of the higher-end homes and perhaps in the smaller homes in the outskirts of the major cities. Competitive pricing analysis is not available.

Asphalt shingles have been used for quite a number of years and most of the demand is met by the local production of a U.S.-based company. The estimated Canadian prices are higher than market prices, and are not competitive.

There is a strong demand for windows. Some Canadian companies have introduced their windows into the Colombian market recently. They are competitively priced and the market potential seems to be good in the long run.

The market potential for vinyl siding products seems to be good. Prices appear to be reasonable, in view of the fact that this product would be used for the upper-end homes.

The market potential for eavestroughing seems to be good. Prices appear to be reasonable, in view of the fact that this product would be used for the upper-end homes.

The market potential for exterior doors seems to be good. Estimated Canadian prices are competitively priced.

Hardwood seems to the main material used in higher-end homes. Demand for hardwood also exists in commercial real estate, such as hotels, clubs and other commercial buildings. However, competition could be very strong from local

Colombian manufacturers who produce a low-quality hardwood material.

There is a growing demand for carpeting in Colombia. Carpeting is manufactured and supplied by a U.S.-based company with a local manufacturing facility, and other smaller local manufacturers also supply the local markets. The market is also strong for carpet underlay. Canadian prices are high relative to local prices.

The market prospects appear to be good for interior doors and the estimated Canadian prices seem to be competitive.

Canadian kitchen cabinets appear to be of very high quality but Canadian manufacturers would have a difficult time competing with the locally-made products which are also of good quality, easily accessible, custom made and very inexpensive.

Two very strong manufacturers currently dominate the Colombian market for door hardware and locks, and the demand is strong. Canadian prices seem competitive so there is a potential market for door hardware.

Market prospects are good for kitchen sinks and estimated Canadian prices are competitive.

There is good demand for water closets, but other manufacturers, including local manufacturers, produce high-quality products at prices lower than the estimated Canadian prices.

Demand for molding is strong and increasing among the "do-it-yourself" market. A number of small outlets are opening in Colombia and this type of business seems to be increasing at a good growth rate. No assessment of Canadian prices is available.

Currently, most homes are built out of concrete, mainly for security reasons, to make the houses strong and defensible. There may be a market for oriented strand board in multiple-housing condominiums which are guarded by central security systems. No assessment of Canadian prices is available.

Gypsum board is currently used for ceilings and there is a growing movement to use the same in housing. This suggests a good market potential in the long run for multiple housing. Gypsum board will probably not be used for single-family dwellings since people tend to leave homes unattended and prefer solid brick construction for security reasons.

There is a good market potential for compact showers. However, this product can be easily copied by other fibre glass manufacturers which could limit the market for Canadian manufacturers.

There is little demand for glass fibre insulation.

Insulated forms are a new product in Colombia. It may have good potential but the product needs to be marketed.

Many alarm systems are available at a wide range of prices.

Materials packages for manufactured houses. There is a market for this product but it is very price sensitive. Estimated Canadian prices are not competitive.

There is interest in advanced Canadian housing technologies. Colombian businesses have a tendency to look to U.S. manufacturers for new technologies and import new materials from them.

There seems to be a major trend towards the do-it-yourself market and more specialized outlets are opening in Colombia to cater to it. Many American companies are doing business in Colombia.

Canada ranked among the top five suppliers to Colombia for coniferous wood items in 1994 with a small sales volume of US$34,000, manufactured wood items in 1993 and 1994 with a sales volume of US$0.3 million and US$1.8 million, respectively, and for electrical wire and cable in 1994 with a volume of US$3.1 million. The most significant other export was PVC siding, at a sales volume of US$0.8 million in 1993 and US$0.8 million in 1994. Canada's exports ranked 7th and 10th for these products. The U.S. was among the top five suppliers in all product categories analyzed, and was usually the top supplier.

Venezuela is a significant supplier to Colombia, but the sources of other major building product imports analyzed was diverse, with no countries having dominance.

Most of Canada's exports of other products investigated ranked low, ranging from 7th to 33rd, and sales volumes were generally insignificant (mostly less than US$100,000).

Overview

With reasonable precautions against theft, the business traveller can reduce risk to a level comparable to what might be expected in any large city of the world. In particular, travellers should not leave valuables exposed in hotel rooms, in vehicles, or on their person. These should be left in the hotel safe. Pickpocketting, jewelry and purse snatching, and robbery are common crimes in certain areas of Bogota.

There are a number of different kinds of visas required by the Colombian government, depending on the status of the individual: Diplomatic, Official, Service, Courtesy, Business, Resident, Temporary and Immigrant Visas.

Business people, traders, industrialists and executives wishing to do business in Colombia can hold Business Visas, valid for up to three years, which are renewable. This visa can also be used for multiple entry to Colombia for up to six months' stay per visit. The visa is free and can be obtained at the Colombian Embassy in Ottawa or any Colombian Consulate.

Business Customs

Working hours are varied in Colombia. In Bogota, banks are open to the public from 9:00 a.m. to 3:00 p.m., Monday through Thursday, and from 9:00 a.m. to 3:30 p.m. on Fridays. On the last working day of the month, banks close at noontime. Some international banks and savings and credit corporations have extended schedules, even 24-hour service. Banking hours in other Colombian cities differ from those in Bogota.

Stores are normally open between 9:00 a.m. and 7:00 or 8:00 p.m. on weekdays and Saturdays. Some open for a few hours or all day on Sundays.

Although the metric system is used, weight is figured in pounds and gasoline is sold by the gallon. Urban land is measured in square varas (80 centimetres by 80 centimetres). Rural land is in some regions measured by cuadras *or* fanegadas (80 m by 80 m) and in others by hectares (100 m by 100 m). A hectare is equivalent to 2.471 acres.

It is advisable to have some knowledge of Spanish although most high-level executives and business people speak English.

The weather in Bogota is almost perennially fall weather. The maximum temperature is 22°C. Minimum temperatures are between 2°C and 6°C. Much of the rest of the country is tropical or semi-tropical.

Clothing will depend largely on the climate of the region. In Bogota and the Andean regions, dress is more formal than in the tropical areas. Business attire for both men and women is customarily required for business or evening engagements. In warmer areas (Medellin, Cali, Barranquilla, Cartagena and other coastal cities) where the temperature is between 25°C and 30°C, dress is less formal. Cotton is more comfortable, and jacket and tie are usually worn by senior executives and for formal meetings. For women, cotton dresses are very common.

In 1984, Colombia passed a law moving many holiday celebrations to the following Mondays. These long weekends are called bridges (puentes). Official holidays in Colombia are indicated in Table 9.

Business Infrastructure

Industrial areas of Colombia and urban centres are linked by a growing network of air, water, rail, and land routes, but these are still insufficient.

Important international airports are located in the cities of Bogota, Barranquilla, Cartagena, Cali and Medellin. Direct air connections to many U.S. cities are available. Service is currently provided by Avianca, American Airlines, Continental Airlines, ACES Airlines and other major international carriers. Airports carry some danger as points of arrival for foreign business persons or tourists entering the country for the first time.

Although the mountainous topography makes it difficult to construct and maintain roads, main cities are connected by a fairly good road network. Nearly 14,200 km are paved. The major Atlantic port cities of Cartagena, Barranquilla and Santa Marta are joined by the Caribbean Trunk Highway

Road. On the Pacific coast, the main port, Buenaventura, is linked to Cali and Bogota by a good highway system. Road building will continue to be boosted by the apertura policy; 15-year concessions for the construction, maintenance and rehabilitation of roads are part of major infrastructure plans.

Table 9: Holidays

January 1	New Year's Day
January 6	Epiphany
March	St. Joseph's Day
March/April	Holy Thursday
March/April	Good Friday
May 1	Labour Day
May 20	Ascension Day
June 10	Corpus Christi
June 17	Feast of Sacred Heart
July 1	Saint Peter, Saint Paul
July 20	Independence Day
August 7	Battle of Boyaca
August 15	Assumption Day
October 12	Columbus Day
November 1	All Saints' Day
November	Independence of Cartagena
December 8	Immaculate Conception
December 25	Christmas Day

Colombia has three important ports on the Caribbean coast: Cartagena, Barranquilla and Santa Marta; and the port of Buenaventura on the Pacific Coast. Currently 8.4 billion tons of freight are moved annually, with an estimated movement of 34 billion tons from 1994 to 1997. Under the process of privatization, the State retains a supervisory role while the private sector takes over daily administration and maintenance. Port fees are subject to free pricing within controls. There are some privately-owned ports that handle specialized cargo, particularly petroleum, coal and bananas.

The railway transport system extends over 3,200 km, with tracks and equipment that are in need of substantial improvement. No regular passenger service is provided. The freight transport is very limited and the capabilities are poor. With the creation of a new railway authority, Ferrovias, the government plans to reorganize and recondition this network. This organization will be responsible for the administration, control and maintenance of the railroad system. Private or joint-venture enterprises may be created in the future for rail transport operations.

The telecommunications sector is undergoing modernization and privatization. Colombia is linked to other countries via satellite, fibre-optics, and undersea cable. The government has recently approved the operation of the cellular telephone networks that use both local and foreign private investment.

Colombia has 46 daily newspapers, 650 radio stations, three nationwide TV channels and four regional channels. Cable TV is available in the main cities.

Distribution and Sales Channels

Due to the opening of the economy to foreign competition, the great majority of capital goods, raw materials, and consumer goods can be freely imported into the country. However, corresponding import duties, value-added tax (VAT) and surcharges must be paid and customs cleared. This is slowly changing the channels for distribution and sales of imported products in Colombia.

The marketing of most imported items is still conducted through agents and distributors. A good amount of equipment and materials is imported directly by a few large companies for their own use. Major end-users have also opened purchasing offices and warehouses in the State of Florida. This is also applicable to most consumer products which are being imported directly by large chain stores and wholesalers.

Consumer products from countries around the world are now found on the shelves of many stores in Colombia. Although an increasing percentage of these products are legally imported due to the liberalization of trade and reduction of import duties, a significant amount still arrives as contraband or in the parallel market. Most consumer goods and consumer electronics are subject to the payment of a 20-percent import duty. A 14-percent VAT is assessed on the CIF-duty-paid value of imported products. This nearly 40-percent margin over the basic FOB (free

at base) price of imported consumer items encourages the existing contraband market.

Finding a Partner

There is an eagerness to associate with Canadian firms and this reflects the sharply increasing awareness of Canada as a source of technology. This attitude is based on the very high profiles of Canadian companies in Colombia, such as: Bell Canada, TransCanada Pipelines and Northern Telecom. Another factor that contributes to Canada's allure for Colombians is the realization that Canada is an alternative to the U.S. This is due to Colombia's love-hate relationship with the United States. Colombian investment laws encourage an active foreign investment climate, i.e., the repatriation of profits, majority foreign positions and a minimal government approval system.

While the private sector, such as financial institutions, have their own devices to encourage and foster business association; the Colombian government, through organizations as COINVERTIR, and in Canada through the CIDA INC. program, continues to provide encouragement and assistance in establishing joint ventures. For the most part, financing equity in Colombia is not a problem.

Foreign firms that wish to export only to the private sector in Colombia are not required by law to secure a local agent or representative and may deal directly with customers. However, as a general rule, it is advisable to appoint a local agent or sales representative to help with import procedures and actual sales promotion. It is a requirement for international bids, as well as when contracting with the Colombian government, that foreign bidders are legally represented in Colombia.

Agency representation and distribution agreements are regulated by the Colombian Commercial Code. An agent or representative differs from a distributor in that the former is legally associated with the principal and may enter into legal agreements on the principal's behalf, while the latter acts totally independent from the principal. A distributor may purchase items from a foreign supplier (wholesaler or jobber) and resell them locally at his own discretion and risk, thus, controlling the level of profits and style of marketing.

In order to secure an agent, representative or distributor for Colombia, a contract is required, following the provisions of the Colombian Commercial Code. This contract must be registered with the chamber of commerce where the agent or representative is located. Agency or representation agreements do not require government approval. In order to terminate an agency or representation agreement, either party must provide a written notice 90 days prior to the scheduled termination. Unless the agreement states otherwise, upon termination, the agent-distributor is entitled to receive from the contracting firm an amount equal to one-twelfth of the average annual commissions, royalties or profits earned by the agent during the last three years and multiplied by the number of years the agreement has been in effect.

In addition, the agent or representative may unilaterally terminate the agreement for cause and is entitled to indemnification, which is decided by a board of public officials and non-governmental representatives. Article 1325 of the Colombian Commercial Code has a "for cause" concept as:

- lack of fulfillment by either party of its contractual obligations;
- any act of omission by either party that may have seriously affected the interest of the other party; and
- bankruptcy or termination of activities of the company or agent/representative.

Joint Ventures and Licensing

Joint ventures and licensing agreements have been in effect in Colombia for many years as important tools for transferring technology. The industrialization process in Colombia has been nurtured by this system. Original importers of equipment and materials later began assembling the same equipment with the production of some components. Licenses were later negotiated for the local manufacturing of equipment.

An import substitution scheme has been replaced in Colombia by the opening of the economy to foreign competition. This has created the need for acquisition of higher technology not found locally. This situation leads to the negotiation of joint venture and licensing agreements abroad. Legislation in Colombia has been changed to permit this type of negotiation, to encourage and

promote foreign investment and the protection of intellectual property rights.

Establishing an Office

There are several ways of organizing a business in Colombia:

- as a corporation;
- limited liability partnership;
- sole proprietorship; and
- as a branch or subsidiary of a foreign corporation.

Each one of these types of businesses has different steps to be followed and the establishment of a company in Colombia is legally intricate. The complexity of establishing a firm in Colombia implies and reinforces the need for legal advice.

For a foreign corporation to be registered in Colombia, prior authorization is needed for investment of foreign capital, and the following documents must be made available:

- documents of incorporation and the bylaws of the foreign corporation;
- resolution from the board of directors of the home office that authorizes the opening of a branch in Colombia, with details of capital assigned to the branch and the initial appointment of officers and statutory auditors;
- certificate from the chamber of commerce at the intended domicile of the branch to the effect that extracts of the documents mentioned under paragraph one above have been registered;
- statement from the chamber of commerce that the official books have been registered and identified; and
- certificate from the manager and the statutory auditor that the capital assigned to Colombian operations has been paid according to legal requirements.

The above documents may require authentication by a Colombian Consulate abroad, the Ministry of Foreign Affairs and the local chamber of commerce. If the documents are found to be in order, the Superintendency of Corporations, the Banking Superintendency or the Superintendency of Securities, as the case may be, will issue the corresponding permit to initiate operations in Colombia.

Selling Factors and Techniques

Considerations such as quality, profitability, function, financing, service and price are important in the buying decision.

Significant, not only in the original buying decision, but in maintenance of the sales relation, is the service arrangement for the product. This includes stock of spare parts and actual service assistance. Canadian suppliers must either have their own representative, or make sure that a Colombian representative is secured, who can offer sufficient service arrangements.

Sales in Colombia depend, to a large extent, upon personal relationships. It is advisable to have local representation to successfully establish the personal contacts that will foster confidence in a firm's ability to supply products or services.

Some of the popular methods of carrying out business meetings are working breakfasts, lunches, and cocktails. Colombian business people are increasingly using these informal venues to obtain contacts and to later finalize details. However, there are still firms that prefer to carry out their business transactions in a traditional office environment.

Canadian business people must be concise in order to make sales visits effective. This can be achieved by knowing in advance some of the potential customer's background including facts such as reputation, purchasing power, financial, credit and trade records. A reliable credit rating and bank reference should be obtained on the prospective customer or associate.

In negotiating agreements and contracts, attention should be paid to protocol, personal relationships and the building of trust. The Colombians want to know their supplier or partner better personally, before deciding whether he or she is trustworthy and is the kind of person they want to continue dealing with in the future.

Advertising and Trade Promotion

Business visitors should be prepared with good quality promotional materials for the product lines offered. If possible, small samples will make visits more effective during preliminary negotiations. Literature in Spanish is very helpful.

The introduction of new consumer products to the Colombian market usually requires a major promotion campaign. A media study conducted in 1993 revealed that an average Colombian family in the upper middle-class or above has two or more televisions. The study confirmed that watching television is the main entertainment for Colombians and that even most low-income families living in urban centres have a television in their homes.

Following are the results published in the same survey, about the effectiveness of media in the Colombian families during any regular day:

- 82.0 percent of the people interviewed watched television;
- 75.1 percent listened to radio programs;
- 37.2 read newspapers; and
- 14.5 percent read magazines.

Pricing Products

FOB prices for imported products may increase the price from 60 to 120 percent above base price, in the several steps of the sales network in Colombia. Local manufacturers may work with mark-ups varying from 15 to 35 percent, while a wholesaler may work with a 15 to 25 percent mark-up.

Sales Service and Customer Support

After-sales service, customer support and, of course, merchandise or equipment quality, are decisive purchasing factors in Colombia. Government and private firms very often request their potential suppliers to provide declarations from other clients that decree the level of the clients' satisfaction from the equipment and after-sales service. A common practice among Colombians is to ask their friends or relatives about their experience with a product before deciding on a purchase.

Selling to the Government

Individuals, legal entities and government firms must follow the provisions of Law 80 of October 31, 1993 that governs purchases and contracts by the government, and state industrial and commercial enterprises. Law 80 replaced Decree-law 222 of 1983. As a general rule, all individuals and legal entities that wish to execute contracts with State entities have to register with the Chamber of Commerce of their jurisdiction in order to be qualified, classified and rated in accordance with the provisions of Law 80.

Foreign individuals not domiciled in Colombia, or foreign private legal entities, without a branch in Colombia, seeking government contracts, must provide a copy of their registration from the corresponding registry in their country of origin. They should also submit proving documents of either their existence or incumbency. In addition, they must appoint an agent or legal representative, domiciled in Colombia, duly empowered to bid and execute the contracts, as well as to represent the foreign enterprise in and out of court.

In accordance with Law 80, Colombian bidders have preferential treatment. Under equal contracting conditions, the offer of goods and services of domestic origin is preferred. When foreign firms bid against each other under equal conditions, the contract is awarded to the firm that will employ the greater number of domestic workers, includes the most domestic content and creates the best conditions for technology transfer.

The Colombian government procurement statute, although liberal, impedes complete access by imposing a requirement for certifying reciprocity. The principle of reciprocity embodied in Law 80, ensures national treatment under the same conditions for Colombian bidders in other countries. The eventual admittance of Colombia to the World Trade Organization (WTO) General Agreement on Government Procurement would permit Canadian businesses to drop their concern about a certificate of reciprocity.

Need for Local Legal Assistance

Canadian companies planning to establish an office in Colombia should obtain legal advice from either a lawyer or an accounting firm.

Regulatory Issues

Canadian companies operate in Colombia under the same rules as Colombian companies, which means, they receive national treatment. Though the government bureaucracy can be burdensome, and procedures such as clearing goods at entry require patience, no one nationality is targeted more than another. Colombian firms actively seek Canadian companies to represent in their markets, as well as in neighbouring countries.

All companies, including branches of foreign companies domiciled in Colombia, must register in the Merchantile Register of the Chamber of Commerce in the cities where they are located, together with their accounting books, acts, and documents required by law. A knowledgeable lawyer is a necessity.

There are basically three ways of organizing a business in Colombia:

Local Corporation. This is very similar to a Canadian corporation. Shareholders should not be fewer than five and they are liable for the corporation's debts up to the amount of their respective capital contributions. The company issues nominative share certificates which are negotiable in the stock market. At least 50 percent of authorized capital must be subscribed and at least 33 per cent paid-in, at the time of incorporation.

Limited Liability Partnership. This is a limited company consisting of two to twenty-five partners, who are liable up to the amount of their contributions. Capital must be fully paid-in at the time of incorporation and must be divided into equal quotas or value units, assignable on terms specified in the company bylaws and legislation.

Branch of a Foreign Corporation. This operates for most purposes under the rules applicable to Colombian corporations. A branch's liability is limited to assigned capital. It must be registered with a Notary Public in the place of domicile. Notarized copies of its incorporation document, its bylaws, the resolution or act agreeing to the establishment of the branch, and documents evidencing its existence and legal representation must be registered.

EDC Financial Risk Assessment

The Export Development Corporation (EDC) helps Canadian companies compete in world markets through the provision of financial and risk management services. These include export credit insurance, financing to foreign buyers of Canadian goods and services and guarantees.

The following information was obtained from the EDC Country Risks and Opportunities *book (fall, 1996).*

These issues should be taken into consideration when assessing financial risk in Colombia.

- The U.S. decertification of Colombia requires the U.S. to vote against loans to Colombia in six multilateral financial institutions, forbids EXIMBANK and the Overseas Private Investment Corporation from covering Colombian risks, and allows the U.S. to impose trade sanctions. The EDC doubts the U.S. will impose sanctions, and the overall impact on the Colombian economy will be marginal.
- Over the past 15 years, the Colombian economy has outperformed most others in Latin America. It remains the only country in the region not to have rescheduled its international debts, and was virtually unaffected by the Mexican crisis as it continued to issue international bonds.
- The economy began to slow down in early 1996, and the growing fiscal deficit has become a concern. The government expects the deficit to continue to deteriorate, reaching 5 percent of GDP by the year 2000. This has prompted the central bank to issue a warning that without an immediate correction of the fiscal deficit, the country's balance of payments could be threatened.
- Although the trade deficit actually narrowed in the first half of 1996 compared to 1995, it is expected to expand over the remainder of the year reflecting increased capital goods imports. The current administration has called

on the central bank publicly to devalue the peso to assist the external sector, but the bank has resisted since such a move would increase inflation. It is unlikely that the bank will alter the currency's prescribed depreciation against the U.S. dollar before the end of the year.

- Notwithstanding potential political problems, prospects for the future look bright, as the new oil fields, Cusiana and Cupiagua are expected to double Colombia's oil reserves and pump approximately US$16 billion into the economy over the next 12 years. However, management of the bonanza will be the key to maintaining long-term economic stability. The potential downside risk is that too much money in the economy could boost inflation. In addition, the deteriorating fiscal balance must be addressed or Colombia will lose its reputation for prudent macro-economic management.

Collection Experience

The overall collection experience in Colombia is good. A full range of trading terms is common. There are no credit or financial issues.

Canada Mortgage and Housing Corporation

Housing Export Centre	700 Montreal Road Ottawa, Ontario K1A 0P7	Tel.: 1-800-465-6212 or (613) 748-2000 Fax: (613) 748-2302

Canadian Government Departments and Services

Department of Foreign Affairs and International Trade (DFAIT)	InfoCentre Lester B. Pearson Building 125 Sussex Drive Ottawa, ON K1A 0G2	Tel.: 1-800-267-8376 or (613) 944-4000 Fax: (613) 996-9709 FaxLink: (613) 944-4500 InfoCentre Bulletin board: Tel.: 1-800-628-1581 or (613) 944-1581
	Latin American and Caribbean Trade Division (LGT) 125 Sussex Drive Ottawa, ON K1A 0G2	Tel.: (613) 996-5548 Fax: (613) 943-8806
Canadian Embassy in Colombia	Calle 76, No. 11-52 Santafe de Bogota Republic of Colombia	Tel.: (011-57-1) 313-1355 Fax: (011-57-1) 313-3046

International Trade Centres

Newfoundland	International Trade Centre P.O. Box 8950 Atlantic Place 215 Water Street Suite 504 St. John's, NF A1B 3R9	Tel.: (709) 772-5511 Fax: (709) 772-5093
Prince Edward Island	International Trade Centre P.O. Box 1115 Confederation Court Mall 134 Kent Street Suite 400 Charlottetown, PE C1A 7M8	Tel.: (902) 566-7443 Fax: (902) 566-7450
Nova Scotia	International Trade Centre P.O. Box 940, Station M 1801 Hollis Street Halifax, NS B3J 2V9	Tel.: (902) 426-7540 Fax: (902) 426-5218
New Brunswick	International Trade Centre 1045 Main Street Unit 103 Moncton, NB E1C 1H1	Tel.: (506) 851-6452 Fax: (506) 851-6429
Quebec	International Trade Centre 5 Place Ville-Marie Seventh Floor Montreal, PQ H3B 2G2	Tel.: (514) 283-6328 Fax: (514) 283-8794
Ontario	International Trade Centre Dominion Public Building 1 Front St. West Fourth Floor Toronto, ON M5J 1A4	Tel.: (416) 973-5053 Fax: (416) 973-8161
Manitoba	International Trade Centre P.O. Box 981 330 Portage Avenue 8th Floor Winnipeg, MB R3G 2V2	Tel.: (204) 983-5851 Fax: (204) 983-3182

International Trade Centres (cont'd)

Saskatchewan	International Trade Centre The S.J. Cohen Building 119-4th Avenue South Suite 401 Saskatoon, SK S7K 5X2	Tel.: (306) 975-5315 Fax: (306) 975-5334
Alberta ** Edmonton office is also responsible for Northwest Territories*	International Trade Centre Canada Place 9700 Jasper Avenue Room 540 Edmonton, AB T5J 4C3	Tel.: (403) 495-2944 Fax: (403) 495-4507
	510-5th Street S.W. Suite 1100 Calgary, AB T2P 3S2	Tel.: (403) 292-4575 Fax: (403) 292-4578
British Columbia **Vancouver office is also responsible for the Yukon*	International Trade Centre 300 West Georgia Street Suite 2000 Vancouver, BC V6B 6E1	Tel.: (604) 666-0434 Fax: (604) 666-0954

Export Development Corporation (EDC)

Ottawa	151 O'Connor Street Ottawa, ON K1A 1K3	Tel.: (613) 598-2500 Fax: (613) 237-2690
Vancouver	One Bentall Centre 505 Burrard Street Suite 1030 Vancouver, BC V7X 1M5	Tel.: (604) 666-6234 Fax: (604) 666-7550
Calgary	510-5th Street S.W. Suite 1030 Calgary, AB T2P 3S2	Tel.: (403) 292-6898 Fax: (403) 292-6902
Winnipeg **office also serves Saskatchewan*	330 Portage Avenue Eighth Floor Winnipeg, MB R3C 0C4	Tel.: (204) 983-5114 Fax: (204) 983-2187
Toronto	National Bank Building 150 York Street Suite 810 P.O. Box 810 Toronto, ON M5H 3S5	Tel.: (416) 973-6211 Fax: (416) 862-1267
London	Talbot Centre 148 Fullarton Street Suite 1512 London, ON N6A 5P3	Tel.: (519) 645-5828 Fax: (519) 645-5580
Montreal	Tour de la Bourse 800 Victoria Square Suite 4520 P.O. Box 124 Montreal, PQ H4Z 1C3	Tel.: (514) 283-3013 Fax: (514) 878-9891
Halifax	Purdy's Wharf, Tower 2 1969 Upper Water Street Suite 1410 Halifax, NS B3J 3R7	Tel.: (902) 429-0426 Fax: (902) 423-0881

Colombia Government Offices in Canada

Embassy of Colombia	360 Albert Street Suite 1130 Ottawa, ON K1R 7X7	Tel.: (613) 230-3760 Fax: (613) 230-4416
Consul General of Colombia	1010 Sherbrooke St. W. Suite 420 Montreal, PQ H3A 2R7	Tel.: (514) 849-4852 Fax: (514) 849-4324
Consul General of Colombia	1 Dundas St. West Suite 2108 Toronto, ON M5G 1Z3	Tel.: (416) 977-0098 Fax: (416) 977-1025

Colombia Government Offices in Canada (cont'd)

Consul General of Colombia	Commercial Section 4100 Yonge Street Suite 315 Toronto, ON M2B 2B5	Tel.: (416) 512-9212 Fax: (416) 512-8548

Multilateral Organizations

World Bank	Washington, DC 20433 U.S.A.	Tel.: (202) 477-1234 Fax: (202) 477-6391
Office for Liaison with International Financial Institutions	Canadian Embassy 501 Pennsylvania Avenue N.W. Washington, DC 20001	Tel.: (202) 682-7719 Fax: (202) 682-7726

Business and Professional Organizations in Canada

The Canadian Council for the Americas (CCA)	Executive Offices, Third Floor 145 Richmond Street West Toronto, ON M5H 2L2	Tel.: (416) 367-4313 Fax: (416) 367-5460
Alliance of Manufacturers and Exporters Canada	99 Bank Street, Suite 250 Ottawa, ON K1P 6B9	Tel.: (613) 238-8888 Fax: (613) 563-9218

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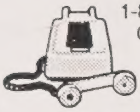
Helping to house Canadians

HOUSING EXPORT OPPORTUNITIES SERIES ORDER FORM

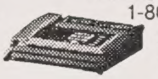
CMHC
P.O. Box 35005
Stn BRM B
Toronto, ON
M7Y 6E5



1-800-668-2642
Outside Canada call
1-613-748-2003

Charge to VISA, American Express or MasterCard.

To avoid double billing, please do not send confirmation.



FAX TO
1-800-245-9274
Outside Canada
1-613-748-2016

VISA, American Express, and MasterCard.

To avoid double billing, please do not send confirmation. A fax will be treated as an original order.

Please Print

Name		
Company or Organization	Position Title	
Address		
City	Province/State/Country	Postal/Zip Code
Telephone Number ( )	Fax Number ( )	

METHOD OF PAYMENT

Check only one (individuals must prepay all orders.)

☐ Please charge my

VISA ☐ American Express ☐ MasterCard ☐

Card Number

Expiry Date

Signature

☐ Payment enclosed $ ________

Please make cheque or money order payable to CMHC

To Complete See Example on Reverse Side

ORDER NUMBER	REPORT TITLE Please be sure the order number and report title match the listing	1 QTY	2 ITEM AMOUNT $	3 TOTAL $ AMOUNT 1 x 2	4 SHIPPING POINTS	5 TOTAL SHIPPING POINTS 1 x 4
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	

SOURCE
(How did you hear about the product?)

TV AD	☐	☐	CATALOGUE
NEWSPAPER	☐	☐	FLYER/BROCHURE
MAGAZINE	☐	☐	OTHER

Subtotal Column 3	A	
SHIPPING CHOICE Regular Mail ☐ Courier ☐ — ADD Shipping & Handling	B	
Subtotal (Add A + B)	C	
Registration #100756428 — ADD GST (7% of subtotal C)	D	
Subtotal (Add C + D)	E	
Quebec residents add PST (6.5% of Subtotal E)	F	
Total (Add E + F)	G	

Subtotal Column 5

Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.

SEE EXAMPLE ON REVERSE

U.S. AND INTERNATIONAL ORDERS
Please pay subtotal C in U.S. Funds
(do not add GST or PST)

Shipping and Handling Charges

Points	Canada Regular Rates	Canada Courier Rates	U.S. Regular Air Rates	U.S. Courier Rates	International Regular Air Rates	International Courier Rates	Europe Courier Rates
1	2.55	5.00	5.00	11.00	7.00	24.00	19.00
2	3.65	8.00	6.50	14.00	9.00	30.00	25.00
3 to 5	5.80	11.07	8.11	30.75	12.18	63.75	47.75
6 to 10	6.18	11.07	12.46	34.75	20.61	88.75	55.75
11 to 20	6.43	12.35	18.08	42.75	38.77	118.75	71.75
21 to 40	6.94	14.90	23.81	58.75	64.65	193.75	103.75
41 to 60	7.44	17.62	29.48	74.75	68.12	253.75	129.75
61 to 80	7.95	20.51	35.15	90.75	117.36	313.75	149.75
81 to 100	8.45	23.35	40.92	106.75	146.60	373.75	169.75
101 to 120	8.96	26.20	46.59	120.75	166.71	433.75	189.75
121 to 140	9.46	29.05	52.31	134.75	184.72	493.75	209.75
141 to 160	9.97	31.90	58.00	148.75	207.45	553.75	229.75
161 to 180	10.47	34.75	63.71	162.75	228.92	613.75	249.75
181 to 200	10.98	35.60	69.38	176.75	250.29	658.75	269.75
201 to 220	11.48	40.45	75.05	190.75	N/A	718.75	289.75
221 to 240	11.99	43.30	80.72	204.75	N/A	778.75	309.75
241 to 260	12.49	46.15	86.49	218.75	N/A	838.75	329.75
261 to 280	13.00	49.00	92.21	232.75	N/A	901.75	349.75
281 to 300	13.50	51.85	97.88	246.75	N/A	958.75	369.75
Estimated Delivery times	2-3 weeks	5-10 days	2-3 weeks	5-10 days	4-8 weeks	12 days	12 days

Prices Subject to Change

CMHC Return Policy

We will replace damaged materials and correct shipping errors if we are notified within thirty days after you receive your shipment. If an item is not defective or not mistakenly shipped, then it must be returned by you at your cost within thirty days of receipt. It must arrive here in resaleable condition for you to receive credit.

International Note: Most international return shipments arrive damaged. If you received damaged items, contact CMHC at (613) 748-2969. Please do NOT return the damaged items unless we ask.

Example: To complete order form and determine shipping and handling charges

ORDER NUMBER	REPORT TITLE Please be sure the order number and report title match the listing	1 QTY	2 ITEM AMOUNT $	3 TOTAL AMOUNT 1 x 2	4 SHIPPING POINTS	5 TOTAL SHIPPING POINTS 1 x 4
NHA 8003	Brazil	1	35.-	35.-	3	3
NHA 8009	Western Europe	2	23.-	46.-	3	6
					3	
					3	

SOURCE
(How did you hear about the product?)
TV AD ☐ ☐ CATALOGUE
NEWSPAPER ☐ ☐ FLYER/BROCHURE
MAGAZINE ☐ ☐ OTHER

Subtotal Column 3	A	81.-
SHIPPING CHOICE Regular Mail ☑ Courier ☐ — ADD Shipping & Handling	B	6.18
Subtotal (Add A + B)	C	87.18
Registration #100756428 — ADD GST (7% of subtotal C)	D	6.10
Subtotal (Add C + D)	E	93.28
Quebec residents add PST (6.5% of Subtotal E)	F	-
Total (Add E + F)	G	93.28

Subtotal Column 5: 9

Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.

U.S. AND INTERNATIONAL ORDERS
Please pay subtotal C in U.S. Funds
(do not add GST or PST)

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